

Message Text

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PAGE 01 GENEVA 05418 121935Z

70

ACTION EB-11

INFO OCT-01 EUR-25 IO-15 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01

DRC-01 /193 W

----- 090031

R 121505Z OCT 73

FM USMISSION GENEVA

TO SECSTATE WASHDC 2044

INFO AMEMBASSY MADRID

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, GATT, SP

SUBJ: SPANISH IMPORT RESTRICTIONS

REF: A. GENEVA 5181; B. STATE 198783;

C. MADRID 5737; D. MADRID 5229

1. GATT COUNCIL CHAIRMAN (AMB KITAHARA) SAYS HIS SUGGESTION TO LOCAL SPANISH MISSION (REF A) FAILED EVOKE FAVORABLE REACTION. SPANIARDS INDICATED, MUCH TO HIS SURPRISE, GOS LINE AT OCT. 19 GATT COUNCIL MEETING MAY BE TO CONTEST VALIDITY OF POSITION TAKEN BY BOP COMMITTEE (AND BY US AND OTHERS IN COUNCIL JULY 30) THAT GATT ARTICLE XV:2 REQUIRES CPS TO ACCEPT IMF FINDING. WHILE PURPOSE OF THIS LINE NOT ENTIRELY CLEAR, IT MAY BE SPAIN INTENDS TO ARGUE BOP COMMITTEE DID NOT REALLY EXAMINE SPANISH B/P SITUATION IN DEPTH AND THAT IT SHOULD DO SO, I.E. DELAY DECISION BY COUNCIL AND ASK BOP COMMITTEE TO RE-EXAMINE. SCHE-
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PAGE 02 GENEVA 05418 121935Z

DULING PROBLEMS MIGHT EASILY MEAN SLIPOVER TO EARLY

74 THUS PROBABLY REQUIRING UPDATED IMF CONSULTATION
ON BASIS FULL YEAR 73 DATA WITH GATT EXAMINATION DEFERRED
AS LATE AS MID-74.

2. GATT SECRETARIAT AND KITAHARA ARE WORDED ABOUT
HANDLING OF THIS MATTER OCT. 19. ANTICIPATING NO HELP
FROM EC TO URGE SPAIN TO RESPECT ITS GATT OBLIGATIONS,
SEC IS SEARCHING FOR SOME FORMULA TO SAVE FACE ON ALL SIDES.
ONE VERSION FLOATED WITH US WOULD HAVE COUNCIL ADOPT
BOP COMMITTEE REPORT (WHICH CONTAINS CONCLUSION B/P
PROVISION OF GATT NO LONGER APPLICABLE TO SPAIN) ON
UNDERSTANDING BOP COMMITTEE MAY (OR CAN) REVIEW THE
SITUATION IN SIX MONTHS. MISSION DECLINED EXPRESS VIEW
ON THIS FORMULA PENDING FINAL INSTRUCTIONS FOR COUNCIL.

3. COMMENTS.

(A) WE HOPE GOS DOES NOT ASSERT IN COUNCIL GATT IS
FREE TO IGNORE IMF FINDING AND SHOULD DO ITS OWN INDE-
PENDENT ANALYSIS OF SPANISH B/P SITUATION. GATT RULE IS
UNAMBIGUOUS ON THIS POINT (I.E. CPS "SHALL ACCEPT," NOT
SIMPLY BE GUIDED BY OR TAKE INTO ACCOUNT, IMF FINDING).

(B) GATT BOP COMMITTEE DID NOT IN FACT ANALYZE
SPANISH SITUATION IN DEPTH BECAUSE SUBSTANCE OF MATTER IS
SO CLEAR-CUT. OECD SURVEY OF SPAIN IN MARCH 73 (CLEARED
BY SPANIARDS) CALLED FORCEFULLY FOR BOTH IMPORT
LIBERALIZATION AND TARIFF CUTS. DETAILED IMF EXAMIN-
TION LATER IN SPRING LED TO FINDING OF NO B/P JUSTIFICA-
TION COMMUNICATED TO GATT BOP COMMITTEE IN JUNE. WITH
NO CONTRARY EVIDENCE INTRODUCED BY SPAIN AND IN LIGHT
REQUIREMENT OF XV:2, THERE WAS NO NEED FOR (AND NO REQUEST
BY SPAIN FOR) IN-DEPTH EXAMINATION BY BOP COMMITTEE.

(C) ARGUMENTATION ADVANCED BY SPAIN AT JULY COUNCIL
MEETING IS WITHOUT MERIT IN TERMS OF BALANCE OF APYMENTS
RPT PAYMENTS. DEFICIT ON TRADE ACCOUNT IS MORE THAN
COMFORTABLY OFFSET BY OTHER EARNINGS WHICH ARE NO MORE
UNSTABLE THAN PAYMENTS AND EARNINGS ON TRADE ACCOUNT.

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PAGE 03 GENEVA 05418 121935Z

(D) KNOWLEDGEABLE GOS OFFICIAL ADMITS BOP COMMITTEE
CONCLUSIONS WERE CORRECT AND GOS MOTIVATION IS TO BARGAIN
FOR ELIMINATION OF ITS RESTRICTIONS IN MTN (REF D).

(E) THERE IS NO NEED FOR FIRM US LINE IN GATT COUNCIL
ABOUT GATT RULES OR SUBSTANCE OF SPANISH B/P SITUATION
TO BE INTERPRETED BY SPAIN AS AN ATTACK ON SPAIN. WE
NEED NOT RPT NOT DELIVER A LECTURE OR CRITICIZE

SPANISH POLICY. A SIMPLE LOW-KEY STATEMENT SHOULD
SUFFICE ALONG LINES THAT WE HAVE, AS GOS REQUESTED
AT JULY MEETING, LOOKED AGAIN AT SPANISH B/P
SITUATION AND CONTINUE TO FEEL BOP COMMITTEE CONCLUSIONS
AND IMF FINDING WERE AND REMAIN CORRECT.

4. BOP COMMITTEE CHAIRMAN (DUNKEL, SWITZERLAND)
EXPECTS TO CALL INFORMAL MEETING OF INTERESTED COMMITTEE
MEMBERS POSSIBLY OCT 16 OR 17 TO ASCERTAIN, TO EXTENT
POSSIBLE, VIEWS ON COURSE TO BE TAKEN IN COUNCIL.
MISSION WOULD APPRECIATE ANY GUIDANCE ASAP. BASSIN

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